

CLEVELAND, Ohio – A study commissioned by the Greater Cleveland Partnership shows the tax burden is significantly higher per capita in Cuyahoga County than in 10 other urban counties competing for some of the same businesses.

The new research also suggests that our overall taxes will grow even more burdensome, and the region will become even less competitive, in part because of the redundancies of a Balkanized political landscape.

Based on those findings, the GPC, one of the nation's largest chambers of commerce with more than 11,000 members, is calling for a region-wide discussion of how to make our future more prosperous.

"We're living in a county that is structured to provide services that hasn't changed significantly in 50 years, although the population has dropped by almost 30 percent in those 50 years," GPC Chairman Scott Chaikin said last week while previewing the research for cleveland.com.

"So it just feels to us like it's time to take a look at the system," Chaikin said, "and that's something that obviously involves a much larger group of people and institutions than just one business organization."

GPC intends in coming weeks to convene community-wide discussions to consider potential avenues of change, whether it's privatizing services, combining public agencies or merging Cleveland and Cuyahoga County into a metro government.

Who conducted the study and why?

The study was conducted by the Ernst & Young, one of the world's largest accounting firms.

The GPC commissioned the tax analysis last year, while working on its strategic plan to test prevailing perceptions that the region's overall tax burden was higher than competing regions.

Ernst & Young looked at regions that the GPC considered to be Greater Cleveland's peer metropolitan areas: Buffalo, Cincinnati, Columbus, Detroit, Indianapolis, Kansas City, Milwaukee, Nashville, Pittsburgh and St. Louis.

What did Ernst and Young find?

Cuyahoga County's overall tax burden is 13 percent higher than the average of the 10 peer cities. That figure was calculated by adding up all individual and business taxes paid at the state and local levels and dividing by the number of residents in each county.

More dramatic is the local tax burden. Local tax collections per capita in Cuyahoga County are \$810 – or nearly 40 percent – higher than the average for the 10 peer communities. Higher property and local-income taxes account for most of that difference.

The region is trending toward even higher taxes, indicated by a 24 percent jump in Cleveland's local taxes from 2015 to 2017, primarily due to a boost in the income tax rate from 2 percent to 2.5 percent. Local taxes increased among the peer group by an average of 5.62 percent during that period.

Over the same time period, tax collections within Cuyahoga County increased 6.46 percent compared with a peer-group average of 3.11 percent.

State taxes also rose faster, increasing 7.1 percent for Cuyahoga County residents compared to an average of 5.58 percent for residents of the peer communities.

Was GPC surprised by the findings?

Yes. Chaikin said the partnership initially believed the tax analysis would lead to refinements to the system at the agency level, answering such questions as, "Why are the city and the county

both running airports? Why are the city and county both running convention centers right next to each other. Could that possibly be the best way to do it?”

Altogether, the county is impacted by 105 taxing authorities, and its water and sewer rates are the highest by far of the six largest cities in the Great Lakes region.

Once Ernst and Young delivered its findings, it became evident that the potential solution might require more comprehensive change, hence the need for a broader discussion within the community.

But partnership officials are quick to assert that the conversation can't be couched as a business issue, though an improved tax climate should attract businesses and talent.

It's really a community issue, Chaikin said. “I mean every person who lives in the city of Cleveland or the county of Cuyahoga is paying a penalty for the way we are structured,” he said.

How has GCP responded?

The increasing tax burden has prompted the partnership to start taking a closer look at proposed tax increases and to consider them within a context of the region's overall tax burden.

Organizations wanting the partnership's endorsement of their tax proposals will have to provide a more comprehensive rationale and do so at least 150 days before the issue goes to the voters.

In the past, the partnership would choose to endorse proposed taxes on a case-by-case basis without fully realizing the mounting burden that was being placed on taxpayers.

The partnership cites many of the recent tax increases and several that are likely to come before voters in the next few years, including those that would raise money for county health

and human services, Cuyahoga Community College, Cleveland public schools and Cleveland Metroparks.

Cuyahoga County Executive Armond Budish welcomes the study because it takes a broader look at taxation in the region.

“I believe that it is time for an extensive and collaborative conversation regarding out county’s priorities,” he said in a written statement after being shown the study by GCP officials.

What else can be done?

The partnership plans to search for solutions by engaging a broad cross section of our region, including state and local officials, minority and community groups, social-service providers, nonprofit and philanthropic organizations, religious groups, organized labor and promoters of economic development.

Joe Roman, chief executive officer of the partnership, told cleveland.com that by including multiple groups in the discussion, the end result will have a greater chance of acceptance “because it’s work they helped to identify and choose and participate in from the very beginning.”

Partnership officials acknowledge that dramatic changes often meet resistance. But an inclusive, data-driven process should help open minds to new ideas, said Kevin Johnson, chairman of the partnership’s Government Affairs Committee.

“Often times when you have that type of approach and you uncover information and you do it together, you end up with minds being changed a little bit and that’s the only thing we can hope for,” Johnson said.

Does the GPC anticipate resistance?

Yes.

“It’s a big lift,” Johnson said. “There’s no doubt about it. But we know that if you keep doing things the way you have always done them you’re going to get what you’ve always got. And business as usual isn’t going to work.”